

MANAGING YOUR BUSINESS TO MINIMIZE DISRUPTION



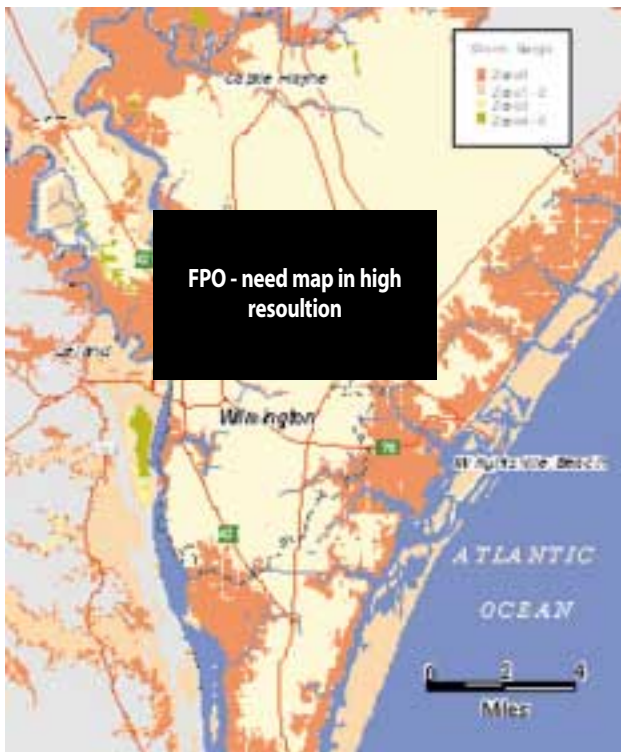
**A Guide for Small Businesses
in North Carolina**

MANAGING YOUR BUSINESS TO MINIMIZE DISRUPTION:

A Guide for Small Businesses in North Carolina

As a small business owner, you have invested considerable time and resources into making your business work. Through careful planning and hard work, you have an established customer base for your products and services. Revenues are steadily increasing. You are optimistic about your future.

Yet, as the experience of Hurricane Floyd on September 15-16, 1999 reminds us, small businesses are vulnerable to natural disasters. Following Floyd, an estimated 20,000 small businesses – manufacturers, retailers, finance and insurance companies, tourism-dependent businesses, farmers, and others – sustained damage. A survey undertaken by East Carolina University following Floyd found that nearly 75 percent of the small businesses in the 44 counties most impacted by the hurricane were forced to temporarily close their doors, due either to direct damages to their facilities, or because of road closures, power outages, and other indirect impacts.



Hurricane Storm Surge Inundation
Map for New Hanover County
(source: NOAA)

The Good News – A Small Investment of Your Time Can Minimize Business Disruption Following a Disaster

While small businesses continue to suffer a disproportionate share of losses from disasters, there is good news. As experience clearly shows – small businesses can reduce their exposure to the effects of natural disasters by taking basic planning and preparedness steps before the disaster. Losses can be reduced, disruption can be shortened, and recovery time can be accelerated.

Managing Your Business to Minimize Disruption: A Guide for Small Businesses in North Carolina is written for small business owners, the sector of North Carolina's economy that is most vulnerable to disasters, yet with the least time and fewest resources to devote to disaster preparedness and risk management.

The underlying premise of this *Guide* is that the consequences of natural hazards – and the problems faced by small business owners – can be anticipated. By preparing your business for “unplanned disruptions,” you can significantly reduce your “downtime” following a major disaster. These preparations may mean the difference in staying in business or closing down.

The *Guide* outlines a series of ten practical, cost-effective steps that small business owners can take to minimize disruption to their livelihoods following a disaster. By reviewing each step, you will have a much better idea of what your risk is, what parts of your business need to be protected, and practical steps that can be taken to ensure that you stay in business when the next disaster occurs. Detailed guidance on business preparedness measures can be found on the website of the North Carolina Emergency Management Division (NCEMD) at www.ncem.org.

1

What is Your Risk?

The first step in managing your business to minimize disruption is to assess your risk from natural and technological hazards. What are the hazards that your community and business face – including tornadoes, hurricanes, floods, wildfires, severe winter storms, earthquakes, landslides, fires and hazardous materials accidents? What are the probabilities of each of these hazards occurring in your community over the next five years and beyond, and what are the likely consequences?

This information, which is available from the NCEMD and your local emergency management agency, can provide a snapshot of your potential risk from natural hazards. When combined with the business impact analysis (step 2), the risk analysis enables you to anticipate potential problems, their impact, and the likelihood that they may occur. Armed with this information, you can examine a number of options for protecting your company and its employees from natural disasters.

Information about your risk – including the probabilities and consequences of potential hazards – is also important in making decisions on whether to: 1) absorb the risk, 2) attempt to reduce the risk, or 3) transfer the risk (through insurance).

may be most critical. As a farmer or owner of a small manufacturing plant, you may have equipment or machinery that is critical to the success of your business.

The purpose of a business impact analysis is to identify the parts of your business that need to be up and running as soon as possible in the aftermath of a disaster. There are many considerations that should be addressed in analyzing your company's vital functions and resources: electrical systems, computers, voice and data communications, customer information, billing operations, inventory, and equipment.

3 Check Your Insurance Coverage

A survey of businesses following Hurricane Floyd determined that while most businesses carried liability, property and casualty, and fire insurance, almost one of every six small businesses reported having none. As a result, many businesses were under insured, and in some instances were forced to close.

A review of your insurance coverage is another important step that you can take to protect your business investment. The insurance should be tailored to the individual business and take into consideration not only property damage, but loss of revenues and extra expenses that occur when business is halted by a disaster.

The first step is to contact your insurance representative, and discuss the following:

- ☐ The need for a physical inventory of your company's assets, to insure you can substantiate the value of your assets.
- ☐ The adequacy of your coverage, including liability, property and casualty, fire, and flood insurance.

- ☐ The need to purchase business income or extra expense insurance, particularly. If your company is located in an area that has experienced two or more natural disasters in the past three years.
- ☐ Appropriate deductibles given your level of risk.

For more detailed guidance on your insurance needs, check with your insurance agent.

As a business owner, ask yourself the following questions:

- What are your most critical and time sensitive business functions?
- What business functions are you most dependent on to stay in business?
- What specialized equipment is used in your business and how is it used?
- How long could your business function without this equipment?
- What special procedures would be necessary if computer systems are not available?
- What functions can be performed from the homes of employees who can dial into the computer system?
- What would be the lost revenue for your business if you were shut down for one day, a week, or an entire revenue period? What are possible contractual fines or penalties?
- What are your dependencies on third party vendors, suppliers, and service providers?
- What are your business recovery priorities?

4 Protect Your Building and Contents

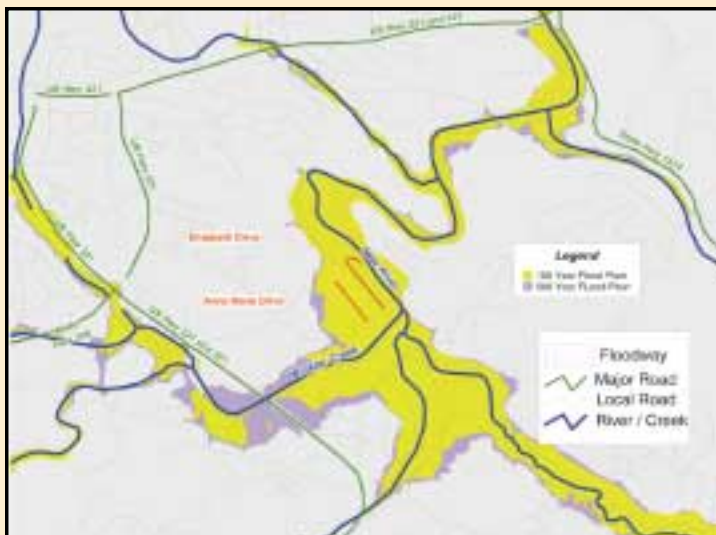
Now that you have a better idea of your risk from natural hazards, and the critical business functions that need to be protected, it is important to determine how well your particular structure and its contents (inventory, equipment, etc.) can withstand these hazards, including high winds, flooding, and ground shaking. A partial list of useful tips for business owners are outlined in below. For a more comprehensive list of protective actions that business owners can take for floods, hurricanes, tornadoes, earthquake, and fire, refer to www.ncem.org

5 Protect Your Vital Records

One of the most important – and least costly – steps that you can take as a small business owner is to protect your business records. These records – information stored on paper and computer – can be classified as “useful,” “important” or “vital.” Useful records contain documents that are easily recreated. Important records can be recreated with little effort and should be stored on both the hard drive and on back-up diskettes in the office, as well as at an off-site location. Vital records – which include financial records, strategic plans, personnel information, building plans, the lease, insurance records, blueprints, inventory warranties, and research data – should be stored at an off-site location, at least 50 miles away.

2 Undertake a Business Impact Analysis

As a small business owner, you know what makes your business operate smoothly and profitably. If you are a retailer, or the owner of a business in the ever-expanding service sector (e.g., finance, insurance, real estate, restaurant, hotel) then the protection of your inventory and business records



Flood maps, such as this one for Boone, can be helpful to business owners and others in identifying flood-prone areas of the community.

Mitigation actions protect small business from major damage

In 1996, the winds and storm surge from Hurricane Fran caused extensive damage to the Masonboro Marina, which was built in the 1970's to accommodate over 100 boat slips. Following Fran, the owner of the marina resolved to rebuild a sustainable marina that would withstand the "worst-case scenario" hurricane event. With an SBA loan, the owner invested approximately \$75,000 on miti-



Marina after hurricane

gation measures in rebuilding the marina. Cement floating docks were installed. The new clubhouse was anchored by pilings that extended from the roof-top to 20 feet in the ground. The air conditioner and heat pump were elevated. Other structural and non-structural mitigation measures were also carried out.

The marina was re-opened on June 23, 1999. Three months later, Hurricane Floyd struck. Water levels were approximately 2 feet below the

13-foot level experienced in Fran. This time, the building and supporting infrastructure performed as expected. The concrete dock and the equipment that was secured in the marina did not sustain any damage.

The elevated utilities performed well, and the hurricane shutters prevented any interior damage. Most importantly, there was no business interruption as a result of a major hurricane event. From a business standpoint, this is critical. The bottom line, the investment of



Elevated air conditioning and heat pump

\$75,000 in mitigation measures was recouped in one disaster – Hurricane Floyd. Losses were avoided, business continuity was enhanced, and the owners of the marina enjoyed a greater peace of mind – before, during and after the event.

In protecting your vital business records, keep your inventory list current and make a photographic or videotaped record of your inventory. Also, make sure computer hardware and software licenses are up to date, and that you have arranged with vendors to replace or repair your computer system immediately.

Protect Yourself, Your Employees, and Your Customers

Every business should have a plan for protecting employees and customers in the event of a major flood, earthquake, tornado, hurricane or other disaster. Make sure that your employees know what to do when there is a "watch" or "warning" for tornadoes, hurricanes, and floods.

At a minimum, keep the following items on hand:

- ✓ First aid kit
- ✓ Battery-operated NOAA weather radio that is portable
- ✓ List of emergency contact numbers
- ✓ Flashlights with extra batteries
- ✓ Tool kit including gloves, wrench and crowbar
- ✓ Waterproof plastic bags
- ✓ Small supply of bottled water
- ✓ Non-electric can opener
- ✓ Cash and credit cards
- ✓ Any essential medicines
- ✓ Three day supply of food and medicine

Taking Care of Employees.

One of the hardest hit communities during Floyd was the town of Greenville, the home of the Grady-White Boat Company. When the company was cut off from the rest of the community after the Tar River crested at over 20 feet, the company president turned his full attention to his employees,

many of whom lost their homes and transportation during the storm. Acknowledging that production would not resume at "full throttle" until the needs of employees were addressed, priority was given to a company-wide self-help initiative that focused on three objectives: providing transportation to employees, arranging for housing of the displaced, and addressing the immediate needs of workers (including short-term financial).

As a result of the spontaneous company-driven relief effort, the Grady-White Boat Company was able to resume business operations quickly. Equally important, the disaster has served as the impetus in a new effort to launch a county-wide business vulnerability assessment project. The premise is that with advances in risk assessment tools, it is possible to anticipate the consequences of natural disasters, and take necessary measures to protect employees and customers alike.

Sample Protective Actions for Your Building & Its Contents

Hurricanes and Windstorms

- Protect windows and doors against wind-borne debris.
- Determine if roof and edge flashing are watertight
- In the case of a hurricane, prepare for possible water infiltration by covering computers,
- Make sure your employees know how to safely shut off your building's utilities.
- Anchor any loose objects that are outside.

Flooding

- Determine whether you are in a flood zone and what type it is. Determine the base flood elevation (BFE) in your area to see if floods will affect your business.
- If you have below-grade floors which are below the BFE, install and maintain a sump pump.
- Raise all utilities and equipment, such as the water heater and electric wiring above the BFE.
- Store inventory in areas above the BFE.
- Use areas that are below the BFE for parking, storage, and access.

Anticipate Interruptions from Your Suppliers & Other Indirect Impacts

One of the lessons from Floyd and other recent major natural disasters in North Carolina is that business disruption can be caused as much by indirect impacts, such as road closures, loss of water and power supply, and the inability of suppliers to deliver goods and services to your business. Following Floyd, road closures had the most prolonged impacts on businesses, followed by loss of water and electric power (FEMA).

During the past decade, small businesses in North Carolina have been closed – in some instances for a week or more – due to flash floods, storm surge, hurricanes, snowstorms, and tornadoes.

For these reasons, it is important to anticipate interruptions, and to develop contingency plans for these eventualities. There are three important steps that you should take to minimize business disruption following a major disaster.

Minimizing Business Disruption Following a Disaster – Three Important Steps:

Step One: Maintain a list of your **business partners** and **major suppliers** that you need to contact in the event a disaster, including their names, addresses, email, contact name, account numbers, and materials or services provided.

Step Two: Request information from your suppliers on what measures they have taken to “keep you supplied” in the event of a disaster – as reflected in their **contingency plans**.

Step Three: Maintain a list of “**backup**” **companies** that can provide your business with materials, supplies, and services in the event that your primary supplier or vendor is impacted by a disaster.



The ability of business to recover following a disaster is often dependent on the condition of roads, bridges and other infrastructure that support day-to-day operations.

9 Prepare a Business Relocation Plan

In areas of the state that have experienced repetitive floods and other disasters during the past decade, it is important to identify alternate sites for business relocation following a disaster. The local planning office (or other appropriate organization) should take the lead role in working with business organizations – including the chamber of commerce – to identify potential locations for temporary office space for businesses that are displaced due to disasters.

For temporary business locations and sites, the planning office or local chamber of commerce should:

- Take a pre-disaster inventory of all commercial buildings in the community, including ownership, value, type of structure, occupancy, and the nature of the business
- Develop a list of viable alternate business locations/sites that would be available after a disaster
- Develop a temporary facilities plan to house displaced businesses
- Construct a building to house small businesses displaced by the disaster and serve as a business development “incubator”
- Consider long-term uses for the building
- Assist in relocating businesses displaced by the disaster
- Identify square footage needs and sitting options or other space options, including relocatables.

This cement factory near Kinston was temporarily out of business following Floyd. As a small business owner, it is important to maintain a list of back-up suppliers in case your primary supplier – in this example a cement company – is impacted by a disaster.

10 Promote Business Preparedness in Your Community

The underlying themes of this Guide are: 1) the consequences of natural hazards – and the problems faced by small business owners – can be anticipated; 2) by taking preparedness and mitigation measures now, you can significantly reduce your exposure and “downtime” following a disaster; and 3) many of steps that are outlined in this Guide entail relatively little cost, other than your time.

The final step in *Managing Your Business to Minimize Disruption* is in many ways the most important – to promote business preparedness in your community. With the ten steps that are outlined in the Guide as a starting point, there are several actions you can take, including:

- Prioritize the steps that need to be taken for your business, and the resources you will need, including technical assistance.
- Approach your Small Business partners – some of whom are outlined below - to initiate a step-by-step business preparedness program in your community.
- Join Project Impact, or other community-based program to promote disaster preparedness.



8 Immediately After a Disaster

Sometime, disasters or major emergencies will occur with little or no warning. For these reasons, it is important to have a plan of action in place for the post-disaster phase, when your building has been stabilized and the damage has been assessed. At the very least, the action plan should include the names and phone numbers of **key individuals** and **organizations** that you need to contact immediately following a disaster, including your:

- insurance carrier
- suppliers
- creditors
- employees and customers
- media contacts
- utility companies
- local emergency management agency

An action plan should also include **emergency steps**, including:

- procedures for shutting off water, gas, and electricity if authorities instruct you to do so
- supplies and materials to take with you should you be instructed to evacuate your business and community

AS A SMALL BUSINESS OWNER

IDENTIFY PRIORITIES, ASSESS COSTS, AND TAKE YOUR FIRST STEPS...

YOUR BUSINESS PREPAREDNESS MEASURES	COST	PRIORITY	PARTNERS
1 Analyze Your Risk	None		NCEMD, Local EMA, FEMA
2 Undertake Business Impact Analysis	None		CPAC, NCEMD
3 Check Your Insurance	None		Local agent, SBA
4 Protect Your Building & Contents	> \$500		Blue Sky, Local EMA
5 Protect Your Vital Records	< \$500		SBTDC, EMA, CPAC
6 Protect Yourself & Employees	< \$500		Local EMA, Blue Sky
7 Plan for Indirect Impacts	None		Local EMA, NCDCA
8 Develop Post-Disaster Checklist	None		Local EMA, NCEMD
9 Prepare a Business Relocation Plan	None		Local EMA, SBA
10 Promote Business Preparedness	None		Local EMA, NCEMD

Network of Cooperating Organizations

Blue Sky Foundation of North Carolina www.BlueSky-Foundation.com
Contingency Planning Association of the Carolinas (CPAC) www.cpaccarolinas.org
Federal Emergency Mangement Agency (FEMA) www.FEMA.gov
North Carolina Emergency Management Division (NCEMD) www.ncemd.org
North Carolina Division of Community Assistance (NCDCA) www.ncdca.org
Small Business Administration (SBA) www.SmallBusiness.gov
Small Business and Technology Development Center (SBTDC) www.SBTDC.org



Managing Your Business to Minimize Disruption was prepared by the North Carolina Emergency Management Division, in cooperation with the Blue Sky Foundation, Contingency Planning Association of the Carolinas, Small Business and Technology Development Center, and the New Hanover County Emergency Management Agency.

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